

The background of the slide is a faded, grayscale image of the Michigan State Capitol building. The building is a large, ornate structure with a central dome and multiple spires. It features Gothic Revival architectural elements, including pointed arch windows and decorative stonework. The building is surrounded by trees, and the sky is visible in the background.

Republican Alternative Budget

April 28, 2008

Where did we start?

Last year, we adopted a balanced, two-year state budget for fiscal years 2008 and 2009.

Most Significant Achievement – No Tax Increases

Historic Investments – Education and Healthcare.

Spending Growth – 14% over the two-year period.

FY 2009 (2nd year) Budget

\$17.073 Billion

Recent Estimates

Office of Fiscal Analysis (OFA) decreases revenue estimate by a net \$120 million less than the original FY 2009 budget.

As a result, OFA projects a \$139 million deficit for 2009.

The state's current budget (FY 2008) would be in deficit by approximately \$50 million, which would automatically be filled by the Rainy Day Fund if we take no action.

Where do we find savings?

Democrats included controversial savings in three areas.

Republicans remain concerned that these savings are not totally achievable

	Democrats	Republican Alternative
Medicaid HUSKY	\$50	\$25
Medicaid Nursing Homes	\$40	\$20
Unallocated Lapses	\$43	\$33
Total Savings	\$133	\$78

Savings = \$78 million

Where do we find savings?

Money Follows the Person

Maximize current law authorization by moving 700 seniors from nursing homes to homecare.

Provide \$3 million in staffing to accelerate participation in the program.

Money Follows the Person has broad, bi-partisan support.

Enhanced 75% federal match in the first year.

Savings = \$17 million

Where do we find savings?

Early Retirement Incentive Program (ERIP)

A three “chip” plan that can be applied to age or years of service.

11,600 state employees eligible.

OFA estimates 4,233 would participate.

Overall, for every three positions vacated, two would be refilled.

Critical areas, such as Corrections and State Police, would refill 100%.

Savings = \$163 million

What do we do now?

With these savings, the budget would be back in balance with a significant surplus.

On the spending side:

There are still critical areas of the budget that require additional investment.

On the tax side:

Connecticut families and businesses are feeling the pressure of rising prices, especially at the gas pump.

Spending Initiatives

Criminal Justice

Without any increases to the current budget, we would not be able to implement important criminal justice initiatives passed in January and another bill that passed just a few days ago. Our budget includes money to fully fund these initiatives.

Early Reading Success

Add \$20 million to re-establish the Early Reading Success program. The program provides early intervention for children in danger of failing to learn to read during their first years of school. The additional funding will go toward establishing all-day kindergarten programs and reducing class sizes. The budget also contains \$1.5 million for accountability purposes in schools labeled “in need of improvement”.

Spending Initiatives

Private Provider & Nursing Home COLAs

The private provider system is a critical piece to carrying out certain government programs. This budget includes a 1% COLA for non-profit and nursing home providers. In addition, the proposal includes funding for nursing home oversight in response to recent illegal activities.

Additional State Aid

Our budget includes \$5 million additional for the Town Aid Road grant. This would provide towns with some additional revenue to help keep property taxes as low as possible.

Spending Initiatives

Energy Assistance for Low-Income Families

If we stick with the current budget, fewer low-income families will get the assistance they need to weatherize their homes. This budget includes additional funding for the program, which will also enhance consumer education, provide additional program flexibility, and help leverage additional resources.

Spending Initiatives

Republican Initiatives

Fuel Cell Initiative

Our budget includes a fuel cell initiative proposed this session by Republicans: Bradley Airport, fuel cell-powered transit buses, and refueling stations. This is a common-sense proposal for taking advantage of a technology that already exists in Connecticut. A \$200 million capital investment over four years would help put our state on the map as the fuel cell capitol of the world. FY 09 budget impact is \$4.3 million in debt service on \$50 million.

Earned Income Tax Credit Outreach

Our budget includes a small appropriation (\$250,000) to require DRS/DSS to reach out to low-income citizens to take advantage of the federal Earned Income Tax Credit, as an alternative to creating a state program that costs taxpaying citizens \$30 million.

Tax Relief

Three-Point Gas Tax Plan

Gas Tax Holiday

This is a two-month gas tax holiday from July 1st through Labor Day weekend. The 10-cent per gallon tax cut would save taxpayers \$25 million.

Repeal Gross Receipts Tax Hike

Our plan would repeal the gross receipts tax increase, which is scheduled to go into effect on July first of this year. The tax will otherwise increase from 7% to 7.5%. This will save taxpayers \$25 million each year.

Cap Gross Receipts Tax

The gross receipts tax is based on the wholesale price of petroleum products. Therefore, as oil prices go up, taxpayers pay more. We would cap the wholesale price used to determine the amount of revenue the state projects from the tax. This third component of gas tax relief would protect citizens from increases that are built into this tax as a result of increasing oil prices.

This plan will have no impact on transportation projects.

Tax Relief

Relief for Small Businesses

Eliminate the Business Entity Tax

This proposal is a two-year phaseout of the \$250 tax charged to every small business in the state. The tax would be reduced to \$125 the first year and **zero** in the second year. Once fully eliminated, this will save small businesses \$35 million a year.

(\$17.5 million in the first year)

Jobs Creation Tax Credit

This proposal would expand the current tax credit to include small businesses, not just corporations. And, any company that creates a single job would be eligible. The credit is equal to 60% of the withholding tax on each of the employees. The revenue loss for this credit would be capped at \$2.5 million.

Tax Relief

The Death Tax – The Cliff

This budget includes a two-year phaseout of the cliff in the estate tax. Wealthy citizens continue to flee Connecticut because of the high tax burden. The cliff says that if you have an estate worth \$1,999,999, you pay no estate tax. But once the value hits \$2 million, you get slammed with a tax bill over \$106,000.

Not only is this unfair, it is unwise in the way that it provides an incentive for wealthy people to leave the state.

In the first year, the tax rate on the first \$2 million would be cut from 5% to 2.54%.



Our Budget:

What it does and what it doesn't do...

What this budget does...

Balances the Budget

Streamlines and Downsizes Gov't

Provides Relief for Citizens

What it **doesn't do...**

Doesn't Increase Taxes

Doesn't Cut Programs

Doesn't Raid the Rainy Day Fund

Our Budget:

What it does and what it doesn't do...

**Original FY 09
Appropriation
\$17.073 Billion**

**“Do Something”
FY 09 Appropriation
\$16.844 Billion**

\$25.4 Million Surplus in FY 09

**Cuts over \$100 million off
future projected deficit
for FY 2010**